Spectrum Cap

Why in news?

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- Vodafone and Idea are in merger talks.
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- They are planning to ask the Department of Telecommunications (DoT) to relax the ceilings on spectrum ownership.
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What is the spectrum cap?

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- Energy travels in the form of waves known as electromagnetic waves.
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- These waves differ from each other in terms of frequencies.
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- This whole range of frequencies is called the spectrum.
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- In telecommunication like TV, radio and GPRS, radio waves (electromagnetic waves) of different wavelengths are used. They are divided into **bands** based on frequencies.
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- The spectrum cap is the limit of radio-waves a telecom operator can hold for providing wireless services.
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What is the current rules?

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- Spectrum cap rules are to prevent an operator from accumulating unreasonable amount of spectrum that might result in the monopoly of the operator.

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- At present, a single telecom network cannot own more than 50% of the wavelengths in a single band and 25% of all the wavelengths assigned in a telecom circle.
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Why the ceiling should be reduced?

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- If these two telcos actually merge, the resultant entity would need to surrender a significant amount of spectrum under these current rules.
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- **Irrelevant -** These restrictions were put in place when there were 8 - 10 networks in each circle to protect the smaller networks from the bigger ones.
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- But this hyper-competition has been reduced leading to around four large networks in each circle. Hence the current rules become irrelevant.
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- **CCI -** Though cartelisation amongst the networks is a genuine threat, but there is Competition Commission of India to ensure that it doesn't happen.
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- **Quality -** If the base of a network's subscribers rises, its inability to buy spectrum will **severly impact the quality of its service.**
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- **Restricted choices -** A smaller network can't sell its spectrum since the caps restrict their choice. It can only negotiate with those networks which have spectrum way below the ceiling.
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- **Consumption increase-** In the last few years, there is a steep rise in data consumption. So, the networks need more wavelengths. But their efforts are hindered by the caps.
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- **It also impacts the ease of doing business** as the exits of network and consolidation are being difficult because of the cap.
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- The government wants to leverage mobile networks for better governance which would also require more spectrum.
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Source: Business Standard

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